SEP 27 2002

The Honorable Bill Owens
Governor
State of Colorado
Denver, Colorado 80203-1792

Dear Governor Owens:

We are pleased to inform you that your State Children's Health Insurance Program (SCHIP) demonstration application entitled "Adult Prenatal Coverage in CHP+" modified by the Special Terms and Conditions accompanying this award letter has been approved as project No. 21-W-00014/8. Colorado's request is being approved under the Administration's Health Insurance Flexibility and Accountability (HIFA) demonstration initiative. Under HIFA, the Administration puts a particular emphasis on broad statewide coverage approaches like Colorado's that target Medicaid and SCHIP resources to populations with income below 200 percent of the Federal Poverty Level (FPL) seeking to maximize private health insurance coverage options.

Approval is under the authority of section 1115 of the Social Security Act (the Act) and covers the 4-year period beginning with the implementation date as defined in Section II.2 of the attached Special Terms and Conditions.

You proposed using funds authorized under title XXI of the Act to provide coverage to uninsured pregnant women with adjusted net family incomes through 185 percent of the FPL, who are not otherwise eligible for Medicaid or SCHIP through the respective State Plans.

We believe this demonstration will achieve the purposes of title XXI because of the direct impact on child health that will result from the expansion of prenatal care for the demonstration population. In light of our policies on the use of HIFA demonstration format, while we are approving this expansion for pregnant women separately, we will require that the operational protocol include a time frame for developing an expansion of this demonstration to low-income children and adults, including Employer-Sponsored Insurance (ESI) component.

Approval of this project is under the authority of section 1115 of the Act and the award is subject to our receiving your written acceptance of the award, including the Special Terms and Conditions, within 30 days of the date of this letter. Enclosed are the Special Terms and Conditions that define the nature, character, and extent of anticipated Federal involvement in the project. The following matching authority and waivers are approved for the 4-year term of the project:

Costs Not Otherwise Matchable Authority

Under the authority of section 1115(a)(2) of the Act, the following expenditures that would not otherwise be regarded, as expenditures under title XXI of the Act will be regarded as expenditures under the State's title XXI plan.

Expenditures to provide coverage for uninsured pregnant women with family incomes through 185 percent of the FPL, who are not eligible for Medicaid or SCHIP through the respective state plans.

Exceptions to SCHIP requirements for the demonstration population

1.   General Requirements and Eligibility Standards   2102

The state child health plan does not have to reflect the demonstration population, and eligibility standards do not have to be limited by the general principles in section 2102(b). The State must perform eligibility screening to ensure that applicants for the demonstration population who are eligible for Medicaid or SCHIP through the respective state plans are enrolled in the most beneficial program and not in the demonstration program.

2.   Restrictions on Coverage, and Eligibility to Children   2102, 2110

Coverage and eligibility for this demonstration population is not restricted to targeted low-income children.

Coverage benefits are not those of "Child Health Assistance" defined in section 2110(a). Coverage benefits are defined in Attachment C of the approved demonstration application.

3.   Benefit Package Requirements   2103

To permit the state to offer a benefit package that does not meet the requirements of section 2103.

4.   Federal Matching Payment and Family Coverage Limits   2105

Federal matching payment in excess of the ten percent cap for expenditures related to the demonstration population and limits on family coverage are not applicable to the demonstration population.

Federal matching payments remain limited by allotment determined under section 2104. Expenditures other than for coverage of the demonstration population, remains limited in accordance with section 2105(c).

5. Annual Reporting Requirements 2108

Annual reporting requirements do not apply to the demonstration population

The State will establish a process to ensure that demonstration expenditures do not exceed the State's available title XXI funding. Title XXI funding will be used to provide coverage in the following priority order: first to children eligible under the title XXI State Plan and then for the demonstration Population.

All requirements of the Medicaid and SCHIP programs expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in this letter, shall apply to the Colorado Adult Prenatal in CHP+ demonstration.

Your project officer is Mr. Maurice Gagnon, who may be reached at (410) 786-0619, and by email: mgagnon@cms.hhs.gov. Communications regarding program and administrative matters should be sent to the project officer at the following address:

> Centers for Medicare & Medicaid Services,
> Center for Medicaid and State Operations,
> Family and Children's Health Programs Group,
> Division of State Children's Health Insurance,
> 7500 Security Boulevard, Mail Stop S2-01-16,
> Baltimore, Maryland, 21244-1850

Official communications regarding program matters should be sent simultaneously to the project officer and to Mr. Mark Gilbert, Acting Associate Regional Administrator for the Division of Medicaid and State Operations in the Denver Regional Office. His address is:

> Centers for Medicare & Medicaid Services
> Division of Medicaid and State Operations
> Colorado State Bank Building
> 1600 Broadway, Suite 700
> Denver, Colorado 80202-4367

We look forward to continuing to work with your staff during the course or the project.

> Sincerely,

> Thomas A. Scully

Enclosures